

Institute of Actuaries

Health in Balance Conference
10 May 2007

A Commissioning Led NHS



Welcome to The Actuarial Profession
making financial sense of the future

Proposed Agenda for today

Market overview and the challenges that commissioner's face in the NHS

The private sector's response: who and what

Opportunities for actuarial and risk management companies

Questions and discussion



Welcome to The Actuarial Profession
making financial sense of the future

Market overview and the challenges that commissioner's face in the NHS

- There is clear separation in the NHS between providers and commissioners. The DH is keen to inject competition from the private sector into both arms
- Around £50bn of NHS funding flows through 152 Primary Care Trusts ("PCTs") each year in England
- High performing PCTs are a critical enabler of overall NHS success
- PCTs work in a highly complex, highly dynamic and financially challenged environment
- There is high variability in PCT organisational effectiveness and achievement of objectives
- The Department of Health is currently finalising a Commissioning Services Framework ("CSF") so that PCTs can more easily purchase services from the private sector to enhance their efficiency/effectiveness as commissioners (not purchasing care delivery from the private sector for NHS patients. The ISTC programme does this). The CSF procurement is at the final stage – responses to the ITT were due by 16 May



Welcome to The Actuarial Profession
making financial sense of the future

Market overview and the challenges that commissioner's face in the NHS

The main challenges are:

- Skill and expertise gaps. For example, we are not aware of any PCT that employs a permanent actuary
- Data. The "minimum data set" for each patient hospitalisation has over 90 data points. PCTs import/export data from/to over 50 sources. Data quality is mixed. There is limited integration of different systems. Analytical tools are used to a variable degree, and there is a lack of investment in analytical resources. Even basic tools such as benchmarking are not used to best effect
- Complexity of operating environment. Hundreds of stakeholders. Too many key performance indicators being measured. All activity subject to national policy which is constantly evolving
- Unlocking economies of scale and expertise
- Cultural and organisational change management



Welcome to The Actuarial Profession
making financial sense of the future

Market overview and the challenges that commissioner's face in the NHS

The private sector's response: who and what

Opportunities for actuarial and risk management companies

Questions and discussion



Welcome to The Actuarial Profession
making financial sense of the future

The private sector's response: who and what

- Framework bidders:
 - "integrated service providers": BUPA, Aetna, McKinsey, United Health, Humana, Navigent
 - "component service providers": Dr Foster, Health Dialog, Pfizer Health
- Bidders are also searching to identify subcontractors to fill gaps, broaden the proposition, or create unique points of difference
- There are also companies operating outside the framework. For example:
 - advising PCTs on what services they need to buy in from the private sector, preparing and conducting tenders, and recommending the best supplier
 - general consulting to PCTs
 - providing software solutions to PCTs or GP practices




Welcome to The Actuarial Profession
making financial sense of the future

Market overview and the challenges that commissioner's face in the NHS

The private sector's response: who and what

Opportunities for actuarial and risk management companies


Questions and discussion



Welcome to The Actuarial Profession
making financial sense of the future

Opportunities for actuarial and risk management companies

- Subcontracting to successful Commissioning Services Framework bidders
- Insurance/reinsurance. Some PCTs will seek to transfer financial risk to the private sector to insure against unexpected end of year deficits
- Basic actuarial skills are lacking – there are opportunities to provide temporary/interim resources or training and development packages
- Analytical tools to forecast demand and health trends, and help PCTs understand what their main medium term priorities should be




Welcome to The Actuarial Profession
making financial sense of the future

Market overview and the challenges that commissioner's face in the NHS

The private sector's response: who and what

Opportunities for actuarial and risk management companies

Questions and discussion



Welcome to The Actuarial Profession
making financial sense of the future

Questions and Discussion

- How big will this market be, and how fast will it grow?
- Which services will be popular and which won't?
- Who's the customer? – PCT, SHA, or DH
- What are the risks? (financial and PR)
- What are the critical enablers?



Welcome to The Actuarial Profession
making financial sense of the future

Thank You

Chris Adams
Head of Commissioning Services
www.bupacommissioning.co.uk
0845 600 3036



Welcome to The Actuarial Profession
making financial sense of the future
